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RUEHCV/AMEMBASSY CARACAS PRIORITY 1877  
RUEHUB/USINT HAVANA PRIORITY 0108  
RHMFSS/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY  
RUEHC/SECSTATE WASHDC PRIORITY 6147  
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C O N F I D E N T I A L BRIDGETOWN 000124

SIPDIS

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DEPARTMENT FOR WHA/CAR, WHA/AND, WHA/EPSC, AND  
EEB/ESC/IEC/EPC  
CARACAS FOR ANDREW BOWEN  
SOUTHCOM ALSO FOR POLAD

E.O. 12958: DECL: 02/28/2018

TAGS: ENRG PREL PGOV PINR XL VE

SUBJECT: PETROCARIBE #35: ST. KITTS AND PETROCARIBE

REF: 07 BRIDGETOWN 1561

Classified By: Pol Officer Arend Zwartjes for reasons 1.4 (b) and (d).

¶1. (SBU) Summary: St. Kitts and Nevis has begun preparations for hosting the Fifth Petrocaribe Summit. Meanwhile, the Venezuelan energy initiative appears to be gaining momentum in the country, following the first successful delivery of Petrocaribe fuel in December 2007 and evolving plans for the building of a fuel storage facility in St. Kitts. Government contacts continue to try to ease Embassy concerns regarding the nation's involvement in Petrocaribe, while Chevron continues to operate on the island, waiting to see how the situation will play out. End summary.

¶2. (SBU) PolOff met with St. Kitts and Nevis Permanent Secretary in the Ministry of Public Works, Oaklyn Peets, to

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discuss the country's preparations for the next Petrocaribe Summit, set to take place there on June 15, 2008. Peets, the self-described "point man" for the GOSKN on Petrocaribe, admitted that prior to the announcement at the Fourth Petrocaribe Summit in Cienfuegos (reftel), he and the GOSKN had no idea that St. Kitts would be hosting the next summit. Peets confirmed that many Heads of Government will attend the next summit, including Nicaragua's Ortega and Venezuela's Chavez. Since Peets was formerly a Permanent Secretary in the Prime Minister's office, he says he has much experience in such visits and is confident there is ample time to prepare for the summit.

A Practical Deal

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¶3. (C) Peets explained to PolOff that he had been the driving force behind St. Kitts and Nevis's membership in Petrocaribe. He was eager to ask PolOff, "how does the United States view all of this?", and admitted that "Chavez is unpredictable", making his country's membership in the deal somewhat delicate. Peets, whose brother lives in the United States and makes pains to emphasize his personal good will towards America, further emphasized that St. Kitts and Nevis has no plans to join Venezuela's economic alliance, ALBA (the Bolivarian Alternative for the Americas).

¶4. (C) According to Peets, the cash-strapped nation's decision to join Petrocaribe was a practical one. He claimed that previously, when the government was solely dependent on Chevron-Texaco for its oil, if the government was even a day late, the company would shut off the supply. Since the GOSKN is heavily indebted, Petrocaribe allows deferred payments and a steady supply of energy at good rates. (Comment: This claim is dubious at best, and perhaps most represents the GOSKN's desire to appear hand-tied into joining Petrocaribe, rather than sharing any ideological affinity with Venezuela. End Comment).

Next Steps for Petrocaribe in SKN

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¶5. (C) Peets noted that St. Kitts and Nevis has not yet signed Petrocaribe's "Energy Security Treaty," which he described as an agreement to pursue wind, solar and other alternative energy sources meant to complement the energy derived from Petrocaribe oil. Peets said that St. Kitts could not sign the treaty before since they had not actually received anything from Petrocaribe; now that the first shipment of fuel arrived in December, the country may be able to do so soon. As regards Venezuela's announcement that they will build a fuel storage facility in St. Kitts, Peets confirmed that PDVSA has already incorporated a local company, PDVSKN, and plans to begin construction in April using Venezuelan managers and local labor. Construction is expected to take 14-17 months.

Chevron-Texaco: Watching Anxiously From the Sidelines

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¶6. (C) Chevron-Texaco operates one of the two oil depots on St. Kitts, and District Manager Algernon Cargill (based in Puerto Rico) explained to PolOff that the company is "concerned" about the moves towards Petrocaribe in the region. Cargill (the district manager for St. Kitts and Nevis, Antigua and Barbuda, Dominica and St. Lucia) explained that Chevron-Texaco has made long-term investments in each of the Eastern Caribbean nations and is worriedly watching how the Petrocaribe situation will develop in the region. He adamantly maintained that Chevron-Texaco has never and would never cease supplies due to a late payment, in direct contradiction to Peets' claim. Cargill further noted the contributions the company had made to the community of St. Kitts, citing ongoing donations to local schools.

Comment

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¶7. (C) In contrast to St. Vincent and the Grenadines, where membership in Petrocaribe appears to reflect at least some level of sympathy for the ideologies of Chavez, St. Kitts and Nevis' involvement in the oil program is almost certainly about money. The people of St. Kitts and Nevis (such as Peets) have strong cultural and family roots to the United States, and are therefore wary of causing strains in the bilateral relationship. The government's weak financial status, especially given the recent and sudden shift from a sugar-based economy to a tourism-based one, is most likely the motivating factor behind the GOSKN's involvement in Petrocaribe. The GOSKN is also aggressively pursuing both biofuels and the potential for geothermal energy production in Nevis, which should serve to offset at least some of Venezuela's efforts to buy influence with cheap oil. As the next summit approaches, it will be interesting to see how the government attempts to downplay the political overtones of Petrocaribe, especially when Chavez brings his rhetoric to this tiny, pro-U.S. country. End comment.

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